Firstsource Advantage LLC

Financial statements
together with the Independent Auditors' Report
for the year ended 31 March 2017

Firstsource Advantage LLC

Financial statements together with the Independent Auditors' Report

for the year ended 31 March 2017

Contents

SHELESH SINGHVI & Co.
Chartered Accountants

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Independent Auditor's Report

To the Members of
Firstsource Solutions Ltd.

Report on the standalone financial statements

We have audited the accompanying standalone financial statements of Firstsource Advantage LLC ("the Company"), which comprise the balance sheet as at 31 March 2017, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

Management's responsibility for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk

Independent Auditors' Report *(Continued)*

Auditor's responsibility *(Continued)*

assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31 March 2017 and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year then ended.

For **Shelesh Singhvi & Co.**
Chartered Accountants
Firm's Registration No: 014792C

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

Shelesh Singhvi
Partner
Membership No: 079817

Mumbai
5 May 2017

Firstsource Advantage LLC
Balance sheet
as at 31 March 2017

	Note	31 March 2017	31 March 2016	1 April 2015
			Amount in USD	
ASSETS				
Non-current assets				
Property, plant and equipment	4	**605,998**	445,014	428,339
Capital work-in-progress		**334,840**	-	-
Other intangible assets	4	**119,929**	115,339	202,424
Financial assets				
Other financial assets	5(i)	**149,577**	149,577	151,577
Other assets	6(i)	**401,674**	1,673	21,132
Deferred tax assets (net)	9	**8,941,160**	8,941,160	8,941,162
Total non-current assets		**10,553,178**	9,652,763	9,744,634
Current assets				
Financial assets				
Trade receivables	7	**9,764,068**	3,487,461	4,345,155
Cash and cash equivalents	8	**152,489**	313,708	2,549,749
Other financial assets	5(ii)	**2,064,589**	1,497,779	569,737
Other assets	6(ii)	**100,224**	3,559,342	1,793,915
Total current assets		**12,081,370**	8,858,290	9,258,556
Total assets		**22,634,548**	18,511,053	19,003,190
EQUITY AND LIABILITIES				
Equity				
Equity share capital	10	**10,000**	10,000	10,000
Other equity	B	**17,245,136**	15,942,824	16,232,953
Total equity		**17,255,136**	**15,952,824**	**16,242,953**
LIABILITIES				
Current liabilities				
Financial liabilities				
Trade and other payables	11	**779,277**	1,132,392	1,292,810
Other Liabilities	12	**75,935**	-	-
Provisions for employee benefits	13	**139,083**	103,791	106,637
Other liabilities	14	**4,385,117**	1,322,046	1,360,790
Current Tax Liabilities (Net)				-
Total current liabilities		**5,379,412**	2,558,229	2,760,237
Total equity and liabilities		**22,634,548**	18,511,053	19,003,190
Significant accounting policies	2			

The accompanying notes from 1 to 27 are an integral part of these financial statements.

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**
Chartered Accountants
Firm's Registration No: 014792C

Shelesh Singhvi & Co. Chartered Accountants Mumbai

Shelesh Singhvi
Partner
Membership No: 079817
May 5, 2017
Mumbai

For and on behalf of the Board of Directors

Arjun Mitra
Director

Kimberly Nestark
Director

Firstsource Advantage LLC
Statement of profit and loss
for the year ended 31 March 2017

		Amount in USD	
		Year ended	
	Note	**31 March 2017**	31 March 2016
INCOME			
Revenue from operations	*15*	**43,995,891**	39,182,701
Other income	*16*	**246**	(5,353)
Total income		**43,996,137**	39,177,348
EXPENSES			
Cost Of Sales		**6,893,220**	8,013,723
Employee benefits expense	*17*	**26,716,377**	22,111,226
Depreciation and amortization	*4*	**238,154**	329,648
Other expenses	*18*	**8,846,074**	9,012,880
Total expenses		**42,693,825**	39,467,477
Profit before taxation		**1,302,312**	(290,129)
Tax expense			
Profit for the year		**1,302,312**	(290,129)
Other comprehensive income		-	-
Total other comprehensive income for the year		**1,302,312**	(290,129)
Weighted average number of equity shares outstanding during the year			
Basic		10,000	10,000
Diluted		10,000	10,000
Earnings per equity share			
Basic		**130.23**	(29.01)
Diluted		**130.23**	(29.01)

Significant accounting policies *2*

The accompanying notes from 1 to 27 are an integral part of these financial statements.

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**
Chartered Accountants
Firm's Registration No: 014792C

Shelesh Singhvi
Partner
Membership No: 079817
May 5, 2017
Mumbai

Shelesh Singhvi & Co. Chartered Accountants Mumbai

For and on behalf of the Board of Directors

Arjun Mitra
Director

Kimberly Nestark
Director

Firstsource Advantage LLC

Statement of cash flows

for the year ended 31 March 2017

	Amount in USD	
	31 March 2017	31 March 2016
Cash flow from operating activities		
Profit before tax	**1,302,312**	(290,129)
Adjustments for		
Depreciation and amortisation	**238,154**	329,648
Provision for doubtful debts written off / (written back)	-	9,985
Operating cash flow before changes in working	**1,540,466**	49,504
Changes in working capital		
Decrease / (increase) in trade receivables	**(6,276,607)**	847,709
Decrease / (increase) in loans and advances and other assets	**2,492,307**	(2,672,008)
(Decrease) / Increase in liabilities and provisions	**2,821,183**	(202,008)
Net changes in working capital	**(963,117)**	(2,026,307)
Income taxes paid	-	-
Net cash used in operating activities (A)	**577,349**	(1,976,803)
Cash flow from investing activities		
Transfer of fixed assets	-	147,045
Purchase of property plant and equipment and capital advances given	**(738,568)**	(406,283)
Net cash (used in) / generated from investing activities (B)	**(738,568)**	(259,238)
Cash flow from financing activities	-	-
Net cash generated from financing activities (C)	-	-
Net decrease in cash and cash equivalents at the end of the year (A+B+C)	**(161,219)**	(2,236,041)
Cash and cash equivalents at the beginning of the year	**313,708**	2,549,749
Cash and cash equivalents at the end of the year	**152,489**	313,708

Notes to the cash flow statement

Cash and cash equivalents consist of cash on hand and balances with bank. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	31 March 2017	**31 March 2016**
Cash on hand	-	-
Balances with banks	**152,489**	313,708
Cash and cash equivalents	**152,489**	313,708

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**
Chartered Accountants
Firm's Registration No: 014792C

Shelesh Singhvi
Partner
Membership No: 079817
May 5, 2017
Mumbai

Shelesh Singhvi & Co. Chartered Accountants Mumbai

For and on behalf of the Board of Directors

Arjun Mitra
Director

Kimberly Nestark
Director

Firstsource Advantage LLC
Statement of changes in equity
for the year ended 31 March 2017

B. Equity share capital and other equity

(Amount in USD)

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus	
		Retained earnings	
Balance as at 1 April 2016	10,000	15,942,824	15,952,824
Profit for the period		1,302,312	1,302,312
Balance at the end of the 31 March 2017	**10,000**	**17,245,136**	**17,255,136**

(Amount in USD)

Particulars	Attributable to owners of the Company		Total
	Equity share capital	Reserve and surplus	
		Retained earnings	
Balance as at 1 April 2015	10,000	16,232,953	16,242,953
Profit for the year	-	(290,129)	(290,129)
Balance at the end of the 31 March 2016	**10,000**	**15,942,824**	**15,952,824**

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**
Chartered Accountants
Firm's Registration No: 014792C

Shelesh Singhvi
Partner
Membership No: 079817
May 5, 2017
Mumbai

Shelesh Singhvi & Co. Chartered Accountants Mumbai

For and on behalf of the Board of Directors

Arjun Mitra
Director

Kimberly Nestark
Director

Firstsource Advantage LLC

Notes to the financial statements

for the year ended 31 March 2017

1 Company overview

Firstsource Advantage LLC ('the Company') was incorporated under the laws of the State of New York on April 27, 1995 for the purpose of providing debt collection services to major credit card issuers and banks throughout the United States. Credit is granted to primarily all of its customers.

2 Significant accounting policies

2.1 Basis of Preparation and Statement of compliance with IND AS

The Company has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 - First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Reconciliations and description of the effects of the transition have been summarized in Note 3.

In accordance with the notification dated February 16, 2015, issued by the Ministry of Corporate Affairs, the Ultimate Holding Company has adopted Indian Accounting Standards(IND AS) notified under Sec 133 read with Rule 4A of the Company (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Companies Act, 2013 (Collectively, IND AS), with effect from April 1, 2016 and is required to prepare its financial statements in accordance with Ind AS for the year ended March 31, 2017. Accordingly as per the requirements of Section 129(3) of the Act, these financial statements of the Company has been prepared in the same form and manner as that of its Ultimate Holding Company.

The financial statements of the Company have been prepared under the historical cost convention, on accrual basis of accounting principles generally accepted in India. The Balance Sheet and Statement of profit and loss of the Company has been drawn up in the country of its incorporation (United States of America) in the terms of United States Dollar ('USD').

2.2 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.2.1

2.2.1 Critical accounting estimates

Property, plant and equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

2.3 Revenue recognition

Revenue from operations comprises debt collection services to major credit card issuers and banks and is billed in accordance with the contractual terms specified in the respective Customer contracts. Revenue from fixed fee based service contracts is recognized on achievement of performance milestones specified in the customer contracts.

Unbilled receivables represent costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

Dividend income is recognized when the right to receive dividend is established.

Interest income is recognized using the time proportion method, based on the underlying interest rates.

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

2 Significant accounting policies *(continued)*

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the property, plant and equipment. Depreciation on fixed assets is provided pro-rata to the period of use. Based on management's best estimate of useful lives of the assets as summarized below:

Asset category	Useful life (in years)
Tangible assets	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers*	2 – 4
Service equipment*	2 – 5
Furniture and fixtures*	2 – 5
Office equipment*	2 – 5
Vehicles	2 – 5
Network*	2 – 4
Intangible assets	
Software*	2 – 4

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Depreciation methods, useful lives and residual values are reviewed periodically at the end of each financial year.
The Company has elected to apply fair value method on transition for Leasehold improvements as permitted under Ind AS 16 - Property, plant and equipments.

2.5 Impairment

a. Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL.For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

b. Non-financial assets

i Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset

Shelesh Singhvi & Co. Chartered Accountants Mumbai

2 Significant accounting policies *(continued)*

2.6 *Foreign Currency transactions*

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is, recognized in the statement of profit and loss. Foreign currency denominated assets and liabilities other than fixed assets at year end are translated at the year end exchange rates and the resulting net gain or loss is recognized in the statement of profit and loss. Non Monetary assets are carried at historical cost.

2.7 *Taxation*

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. The Income tax and Deferred tax liability is computed on a consolidated basis and hence the tax liabilities for the company have been included in the financial statements of the parent company ie Firstsource Group USA, Inc.

2.8 *Employee benefits*

Defined contribution plans

The Companies having a savings and investment plan under section 401 (K) of the internal revenue code of the United States of America. This is a Defined Contribution plan. Contribution made under the plan are charged to the statement of Profit and loss in the period in which that accure. Other retirement benefits are accrued based on the amounts payable as per local regulations.
Contributions payable to the social security, medicare and other employee related contributions as required under the State of New york are charged to the statement of profit and loss.

Other long-term employee benefits

Compensated absences

Provision for compensated absences cost has been made based on eligible vacation balances at balance sheet date.

Where employees of the Company are entitled to compensated absences, the employees can carry-forward a portion of the unutilized accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

2.9 *Leases*

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the instalments of minimum lease payments have been apportioned between finance charge / expense and principal repayment. Assets given on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the finance income and principal amount using the implicit rate of return.

The finance charge / (income) is recognised as income, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term, unless the increase is on account of inflation, in the statement of profit and loss.

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

2 Significant accounting policies *(continued)*

2.10 Earnings per equity share

The basic earnings per equity share is computed by dividing the net profit or loss for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti-dilutive.

2.11 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

2.12 Financial instruments

2.12.1 Initial recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

a) Non-derivative financial instruments

i) Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

2.12.2 Classification and subsequent measurement

i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets at fair value through other comprehensive income ('FVOCI')

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

iii) Financial assets at fair value through profit and loss ('FVTPL')

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

Shelesh Singhvi & Co.
Chartered Accountants

2 Significant accounting policies *(continued)*

2.12.2 Classification and subsequent measurement (continued)

iv) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amount approximate fair value to short-term maturity of these instruments

v) Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recognised by the Company at the proceeds received net of direct issue cost.

2.12.3 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

De-recognition of financial instruments

The Company de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from the Company's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

Fair value of financial instrument

In determining the fair value of its financial instrument, the Company uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realized. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.14 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.15 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Shelesh Singhvi & Co. Chartered Accountants Mumbai

3) First-time adoption of Ind AS

These financial statements of Firstsource Advantage LLC for the year ended 31 March 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standard, with 1 April 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2017 and the comparative information. An explanation of how the transition from IGAAP to Ind AS has affected the Company's balance sheet and statement of profit and loss is set out in Notes 3.1 and 3.2.

3.1) Reconciliation of equity as previously reported under IGAAP to Ind AS

		Opening balance sheet as at 1 April 2015			Balance sheet as at 31 March 2016		
	Note	IGAAP	Effect of transition to Ind AS	IND AS	IGAAP	Effect of transition to Ind AS	IND AS
ASSETS							
Non-current assets							
Property, plant and equipment		428,339		428,339	445,014		445,014
Other intangible assets		202,424		202,424	115,339		115,339
Financial assets							
Other financial assets		151,577		151,577	149,577		149,577
Others non-current assets		21,132		21,132	1,673		1,673
Deferred tax assets (net)		8,941,162		8,941,162	8,941,160		8,941,160
Total non-current assets		9,744,634	-	9,744,634	9,652,763	-	**9,652,763**
Current assets							
Financial assets							
Trade receivables		4,345,155		4,345,155	3,487,461		3,487,461
Cash and cash equivalents		2,549,749		2,549,749	313,708		313,708
Other financial assets		569,737		569,737	1,497,779		1,497,779
Other current assets	*a*	5,871,873	4,077,958	1,793,915	9,191,772	5,632,430	3,559,342
Total current assets		13,336,514	4,077,958	9,258,556	14,490,720	5,632,430	**8,858,290**
Total assets		23,081,148	4,077,958	19,003,190	24,143,483	5,632,430	**18,511,053**
EQUITY AND LIABILITIES							
Equity							
Equity share capital		10,000		10,000	10,000		10,000
Other equity	*a*	20,289,714	4,056,761	16,232,953	21,554,057	5,611,233	15,942,824
Total equity attributable to equity share holders of the company		20,299,714	4,056,761	16,242,953	21,564,057	5,611,233	**15,952,824**
Liabilities							
Current liabilities							
Financial liabilities							
Trade and other payables		1,314,007	21,197	1,292,810	1,153,589	21,197	1,132,392
Provision for employee benefits		106,637		106,637	103,791		103,791
Other liabilities		1,360,790		1,360,790	1,322,046		1,322,046
Total current liabilities		2,781,434	21,197	2,760,237	2,579,426	21,197	**2,558,229**
Total equity and liabilities		23,081,148	4,077,958	19,003,190	24,143,483	5,632,430	**18,511,053**

a. On application of Ind AS 18, the Company aligned its revenue recognition relating to collections business.

Shelesh Singhvi & Co. Chartered Accountants Mumbai

3.2) Reconciliation of statement of profit and loss as previously reported under IGAAP to Ind AS

	Note	Year ended 31 March 2016 IGAAP	Effect of transition to Ind AS	Ind AS
Income				
Revenue from operations	a	40,737,173	1,554,472	39,182,701
Other income		(5,353)	-	(5,353)
Total income		**40,731,820**	**1,554,472**	**39,177,348**
Expenses				
Cost Of Sales		8,013,723		8,013,723
Employee benefits expense		22,111,226		22,111,226
Depreciation and amortisation		329,648		329,648
Other expenses		9,012,880		9,012,880
Total expenses		**39,467,477**	**-**	**39,467,477**
Profit before taxation		**1,264,343**	**1,554,472**	**(290,129)**
Tax expenses				
- Current tax			-	-
- Deferred tax			-	-
Profit for the period		**1,264,343**	**1,554,472**	**(290,129)**
Other comprehensive income				
Items that will not be subsequently classified to profit or loss				
Remeasurement of the net defined benefit liability/asset		-		-
Items that will be subsequently classified to profit or loss				
Net changes in fair value of cash flow hedges		-		-
Exchange difference on translation of foreign operations		-		-
Total comprehensive income for the period		**1,264,343**	**1,554,472**	**(290,129)**

Explanations for reconciliation of balance sheet and statement of profit and loss as previously reported under IGAAP to IND AS

a. On application of Ind AS 18, the Company aligned its revenue recognition relating to collections business.

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

Firstsource Advantage LLC

Notes to the financial statements *(continued)*

as at 31 March 2017

4) Property, plant and equipment

(Amount in USD)

Particulars	Tangible Asset						Intangible Asset	Grand Total
	Computers	Network	Office Equipment	Furniture & Fixture	Leasehold	Total	Software	
Gross block (at deemed cost)								
As at 1 April 2016	1,929,833	2,725,026	1,602,138	1,416,922	1,085,523	8,759,442	3,677,055	**12,436,497**
Additions / adjustments during the year	225,278	35,394	36,494	11,755	30,117	339,038	64,691	**403,729**
Deletions during the year						-		-
As at 31 March 2017	**2,155,111**	**2,760,420**	**1,638,632**	**1,428,677**	**1,115,640**	**9,098,480**	**3,741,746**	**12,840,226**
Accumulated depreciation / amortization								
As at 1 April 2016	1,833,553	2,651,894	1,416,136	1,404,114	1,008,732	8,314,429	3,561,716	**11,876,145**
Charge for the year	50,510	45,572	59,206	3,810	18,955	178,053	60,101	**238,154**
On deletions / adjustments during the year						-		-
As at 31 March 2017	**1,884,063**	**2,697,466**	**1,475,342**	**1,407,924**	**1,027,687**	**8,492,482**	**3,621,817**	**12,114,299**
Net block								
As at 31 March 2017	**271,048**	**62,954**	**163,290**	**20,753**	**87,953**	**605,998**	**119,929**	**725,927**
As at 31 March 2016	96,280	73,132	186,002	12,808	76,791	445,014	115,339	560,352

4) Property, plant and equipment (continued)

(Amount in USD)

Particulars	Tangible Asset						Intangible Asset	Grand Total
	Computers	Network	Office Equipment	Furniture & Fixture	Leasehold	Total	Software	
Gross block (at deemed cost)								
As at 1 April 2015	2,439,280	3,248,101	1,628,644	1,739,876	1,155,171	10,211,072	3,961,485	**14,172,557**
Additions / adjustments during the year	86,084	4,398	162,354	11,828	84,668	349,332	56,951	**406,283**
Transfer to OAL	595,531	527,473	188,860	334,782	154,316	1,800,962	341,381	**2,142,343**
Deletions during the year						-		-
As at 31 March 2016	**1,929,833**	**2,725,026**	**1,602,138**	**1,416,922**	**1,085,523**	**8,759,442**	**3,677,055**	**12,436,497**
Accumulated depreciation / amortization								
As at 1 April 2015	2,376,249	3,045,497	1,548,724	1,737,235	1,075,028	9,782,733	3,759,061	**13,541,794**
Charge for the year	36,863	101,402	28,737	1,504	17,333	185,839	143,809	**329,648**
Transfer to OAL	579,559	495,005	161,325	334,625	83,629	1,654,143	341,154	**1,995,297**
On deletions / adjustments during the year						-		-
As at 31 March 2016	**1,833,553**	**2,651,894**	**1,416,136**	**1,404,114**	**1,008,732**	**8,314,429**	**3,561,716**	**11,876,145**
Net block								
As at 31 March 2016	**96,280**	**73,132**	**186,002**	**12,808**	**76,791**	**445,014**	**115,339**	**560,352**
As at 31 March 2015	63,031	202,604	79,920	2,641	80,143	428,339	202,424	630,763

Shelesh Singhvi & Co. Chartered Accountants Mumbai

	Amount in USD		
	31 March 2017	31 March 2016	1 April 2015
5) Other financial assets			
(i) Other non-current financial assets			
Deposits	**149,577**	149,577	151,577
	149,577	149,577	151,577
(ii) Other current financial assets			
Receivable held in Trust	**957,455**	758,085	120,814
Unbilled receivables	**1,107,134**	739,694	448,923
	2,064,589	1,497,779	569,737
Financial assets carried at amortised cost	**2,214,166**	1,647,356	721,314
6) Other assets			
(i) Other non-current assets			
(Unsecured, considered good)			
Prepaid expenses	**401,674**	1,673	21,132
	401,674	1,673	21,132
(ii) Other current assets			
Advances to subsidiaries	-	3,090,883	1,580,046
Prepaid expenses	**1,491**	375,059	197,469
Other advances	**98,733**	93,400	16,400
	100,224	3,559,342	1,793,915
7) Trade receivables			
(Unsecured)			
Considered doubtful	-	-	2,415
	-	-	2,415
Less: Impairment allowance	-	-	2,415
	-	-	-
Considered good	**9,764,068**	3,487,461	4,345,155
	9,764,068	3,487,461	4,345,155

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

		Amount in USD		
		31 March 2017	31 March 2016	1 April 2015
8)	**Cash and cash equivalents**			
	Balances with banks			
	in Trust accounts	**957,455**	758,085	453,773
	in current accounts	**152,489**	313,708	2,549,749
		1,109,944	1,071,793	3,003,522
	Less: Current account balance held in trust for customers	**(957,455)**	(758,085)	(453,773)
		152,489	313,708	2,549,749
9)	**Taxation**			
	Defferred Tax Assets	**8,941,160**	8,941,160	8,941,162
		8,941,160	8,941,160	8,941,162

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

	Amount in USD		
	31 March 2017	31 March 2016	1 April 2015
10) Share capital			
Authorised			
10,000 Units (31 March 2016: 10,000 units) equity shares of USD 1 each	10,000	10,000	10,000
	10,000	10,000	10,000
Issued, subscribed and paid-up			
10,000 Units (31 March 2016: 10,000 units) equity shares of USD 1 each, fully paid-up	10,000	10,000	10,000
	10,000	10,000	10,000

a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	**10,000**	**10,000**	10,000	10,000	10,000	10,000
At the end of the year	**10,000**	**10,000**	10,000	10,000	10,000	10,000

b) Particulars of shareholders holding more than 5% equity shares

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**% of total shares**	Number of shares	% of total shares	Number of shares	% of total shares
Firstsource Business Process Services LLC	**10,000**	**100.00%**	10,000	100.00%	10,000	100.00%

c) Rights, preferences and restrictions

The Company has a single class of units. Accordingly, all unit holders rank equally with regard to dividends and share in the Company's residual assets. The unit holders are entitled to receive dividend as declared from time to time. The voting rights of an unit holder are in proportion to its share of the units of the Company. On winding up of the Company, the unit holders will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of units held.

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

	Amount in USD		
	31 March 2017	31 March 2016	1 April 2015
11) Trade Payables			
Trade Payables	**779,277**	1,132,392	1,292,810
	779,277	1,132,392	1,292,810
12) Other Financial Liabilities			
Book credit in Bank accounts	**75,935**	-	-
	75,935	-	-
13) Provision for employee benefits			
Current			
Compensated absences	**139,083**	103,791	106,637
	139,083	103,791	106,637
14) Other liabilities			
Other current liabilities			
Payable to Group Companies	**2,607,364**	-	-
Statutory Dues	**63,287**	149,779	77,292
Employee Related payable	**1,379,466**	1,113,448	1,283,498
Payable to Client	-	56,587	-
Creditors for capital goods	**335,000**	2,232	-
	4,385,117	1,322,046	1,360,790

Shelesh Singhvi & Co. Chartered Accountants Mumbai

Firstsource Advantage LLC
Notes to the financial statements *(continued)*
for the year ended 31 March 2017

		Amount in USD Year ended	
		31 March 2017	31 March 2016
15)	**Revenue from operations**		
	Sale of services	**43,995,891**	39,182,701
		43,995,891	39,182,701
16)	**Other income**		
	Foreign exchange gain, net	**10**	(5,570)
	Miscellaneous income	**236**	217
		246	(5,353)
17)	**Employee benefits expense**		
	Salaries and wages	**25,187,513**	20,842,237
	Contribution to Statutory Funds	**139,011**	118,270
	Staff welfare expenses	**1,389,853**	1,150,719
		26,716,377	22,111,226
18)	**Other expenses**		
	Rent	**657,381**	676,017
	Repairs, maintenance and upkeep	**433,350**	329,457
	Insurance	**28,116**	272,661
	Rates and taxes	**14,680**	45,425
	Legal and professional fees	**533,503**	711,009
	Car and other hire charges	**143,481**	129,246
	Information and communication expenses	**4,487,083**	4,254,093
	Recruitment and training expenses	**17,310**	50,892
	Meeting and seminar expenses	**18,511**	32,436
	Electricity, water and power consumption	**111,848**	92,941
	Travel and conveyance	**123,745**	148,452
	Computer expenses	**665,412**	726,960
	Printing and stationery	**100,298**	93,426
	Registration and Membership fees	**100,099**	121,533
	Provision for doubtful debts/ written off/ (written back), net	-	9,985
	Common Cost	**751,596**	587,516
	Bank administration charges	**655,421**	729,814
	Charitable Contribution	**47**	1,017
	Miscellaneous expenses	**4,193**	-
		8,846,074	9,012,880

Shelesh Singhvi & Co. Chartered Accountants

Firstsource Advantage LLC
Notes to the financial statements (continued)
for the year ended 31 March 2017

19) Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	**9,764,068**	-	-	**9,764,068**	**9,764,068**
Cash and cash equivalents	**152,489**	-	-	**152,489**	**152,489**
Other financial assets	**2,214,166**	-	-	**2,214,166**	**2,214,166**
Total	**12,130,723**	-	-	**12,130,723**	**12,130,723**
Financial liabilities					
Trade and other payables	**779,277**	-	-	**779,277**	**779,277**
Book Credit in Bank account	**75,935**	-	-	**75,935**	**75,935**
Total	**855,212**	-	-	**855,212**	**855,212**

The carrying value and fair value of financial instruments by categories as of 31 March 2016 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	3,487,461	-	-	3,487,461	3,487,461
Cash and cash equivalents	313,708	-	-	313,708	313,708
Other financial assets	1,647,356	-	-	1,647,356	1,647,356
Total	5,448,525	-	-	5,448,525	5,448,525
Financial liabilities					
Trade and other payables	1,132,392	-	-	1,132,392	1,132,392
Total	1,132,392	-	-	1,132,392	1,132,392

The carrying value and fair value of financial instruments by categories as of 1 April 2015 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Trade receivables	4,345,155	-	-	4,345,155	4,345,155
Cash and cash equivalents	2,549,749	-	-	2,549,749	2,549,749
Other financial assets	721,314	-	-	721,314	721,314
Total	7,616,218	-	-	7,616,218	7,616,218
Financial liabilities					
Trade and other payables	1,292,810	-	-	1,292,810	1,292,810
Total	1,292,810	-	-	1,292,810	1,292,810

Shelesh Singhvi & Co.
Chartered Accountants
Mumbai

19) Financial instruments *(continued)*

II Financial risk management:

Financial risk factors:

The Company's activities are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

a) Market risk

The Company operates in the US and there is no major transactions outside the US, so there is no major market risk for the Company.

b) Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to USD 9,764,068 USD 3,487,461 and USD 4,345,155 as of 31 March 2017, 31 March 2016 and 1 April 2015 respectively and unbilled revenue amounting to USD 1,107,134 USD 739,694 and USD 448,923 as of 31 March 2017, 31 March 2016 and 1 April 2015, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom and other locations. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business.

c) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017, 31 March 2016 and 1 April 2015:

(Amounts in USD)

	31 March 2017		31 March 2016		01 April 2015	
	Less than 1 Year	**More than 1 year**	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	**779,277**	-	1,132,392	-	1,292,810	-

20) Leases

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2017 USD 745,730 (31 March 2016: USD 748,267) have been debited to the profit and loss account.

The future minimum lease payments in respect of non-cancellable operating leases are as follows:

Amount in USD

	As at 31 March 2017	As at 31 March 2016
Amount due within one year from the balance sheet date	**481,006**	985,953
Amount due in the period between one year and five years	**1,997,258**	3,034,140
Amount due in the period beyond five years	**593,562**	5,338,752
	3,071,826	9,358,845

Shailesh Singhvi & Co. Chartered Accountants Mumbai

21) Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2017 are summarized below:

Ultimate Holding Company	Firstsource Solutions Ltd
Holding Company	Firstsource Group USA Inc.
Fellow Subsidiary Companies	MedAssist Holding, Inc., Firstsource Solutions USA LLC (earlier known as MedAssist LLC) Firstsource Solution UK Limited Firstsource Process Management Services Limited Firstsource BPO Ireland Limited Firstsource Business Process Services LLC Firstsource Solutions USA LLC ISGN Fulfillment Services, Inc ISGN Solutions, Inc. One Advantage LLC
Directors	Kimberly Nestark Arjun Mitra

Particulars of related party transactions:

Name of the related party	Description	Transaction value during year ended** Amount in USD		Receivable / (Payable) at Amount in USD	
		31 March 2017	31 March 2016	31 March 2017	31 March 2016
Firstsource Solutions Limited	Cost of Sales	6,893,220	7,001,050	-	-
	Recovery of expenses	-	-	-	-
	Common corporate Cost	751,596	587,516	-	-
	Reimbursement of expenses	103,456	133,731	-	-
	Receiveable / (Payable)	-	-	(4,761,301)	(2,957,206)
Firstsource Group USA Inc	Reimbursement of expenses	256,267	4,601,334	-	-
	Recovery of expense	42,263	97,647	-	-
	Receiveable / (Payable)	-	-	2,084,269	15,500,517
Firstsource Transcation Services LLC	Reimbursement of expenses	2,549	5,393	-	-
	Recovery of expense	64,658	99,082	-	-
	Receiveable / (Payable)	-	-	23,947	(4,881,092)
Medassit Holding LLC	Reimbursement of expenses	725,271	2,032,763	-	-
	Recovery of expense	550,241	728,463	-	-
	Receiveable / (Payable)	-	-	(152,504)	(3,281,228)
Firstsource Business Process Services LLC	Receiveable / (Payable)	-	-	-	(2,924)
ISGN FFS	Recovery of expense	4,934	-	-	-
	Receiveable / (Payable)	-	-	4,934	-
One Advantage LLC	Cost of Sales	-	1,012,673	-	-
	Net transfer of Assets	-	147,048	-	-
	Reimbursement of expenses	128,344	1,595,644	-	-
	Recovery of expense	1,272,477	3,031,961	-	-
	Receiveable / (Payable)	-	-	244,131	(1,219,382)
Firstsource Solutions UK Limited	Reimbursement of expenses	71,988	67,803	-	-
	Recovery of expense	5,933	-	-	-
	Receiveable / (Payable)	-	-	(50,840)	(67,803)

Shailesh Singhvi & Co. Chartered Accountants Mumbai

Firstsource Advantage LLC

Notes to the financial statements *(continued)*

for the year ended 31 March 2017

22) Segment reporting

As per Ind AS 108 - Operating Segment, if a financial report contains both consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108 - Operating Segment has been given in the consolidated financial statements of the Ultimate Holding Company.

23) Computation for calculating diluted earnings per share

	For year ended	
	31 March 2017	31 March 2016
Number of shares considered as basic weighted average shares outstanding	**10,000**	10,000
Add: Effect of potential issue of shares/ stock options *	**0**	0
Number of shares considered as weighted average shares and potential shares outstanding	**10,000**	10,000
Net profit after tax attributable to shareholders	**1,302,312**	(290,129)
Net profit after tax for diluted earnings per share	**1,302,312**	(290,129)
* Not considered when anti-dilutive		

24) Capital and other commitments and contingent liabilities

The Company has capital commitments of USD 191,004 (31 March 2016: USD 15,149) as at the balance sheet date. There are no contingent liabilities as at the balance sheet date

26) Long-term contracts

The Company has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the period end, the Company has reviewed and ensured that adequate provision as required under any law / Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

27) Subsequent events

The company evaluated subsequent events from the balance sheet date through 5 May 2017 and determined there are no material items to report.

As per our report of even date attached.

For **SHELESH SINGHVI & CO.**
Chartered Accountants
Firm's Registration No: 014792C

Shelesh Singhvi & Co. Chartered Accountants Mumbai

Shelesh Singhvi
Partner
Membership No: 079817
Mumbai
5 May 2017

For and on behalf of the Board of Directors

Arjun Mitra
Director

Kimberly Nestark
Director